



## USAID TRANSFORMS

"History has often shown us that youth are democracy's strongest advocates."

# EUROPE & EURASIA THE JOURNEY TO SELF-RELIANCE

Europe and Eurasia exemplifies the Journey to Self-Reliance. In the short time since our first USAID Mission opened in 1992 and since the fall of the Berlin Wall nearly 30 years ago, these young countries have overcome tremendous social, political, and economic hurdles to chart a new course for their citizens, guided by free markets and democratic principles. From 24 original partner countries, **11 countries of the region are no longer foreign assistance beneficiaries**, 22 have joined the World Trade Organization, 11 have acceded to the EU, and 12 have joined NATO. And just last year we signed a new Memorandum of Understanding with Slovakia, a former USAID assistance recipient, to jointly support Transatlantic cooperation between the United States and Europe.

At USAID, we believe that when countries are willing to take on tough development challenges, we should partner with them. We want to provide a helping hand on their journey to becoming fully self-reliant nations. We look forward to the day when we can transition to a new kind of bilateral relationship, one that moves beyond traditional assistance, embraces opportunities for enterprise-driven development, and celebrates how much we've accomplished together. While development gains seldom move in a straight line, over the past year, there is no question that USAID partner countries have taken important strides toward creating a brighter, more prosperous future for everyone.

## ALBANIA

**Supporting Strong Local Government** Establishing a system of local governance, founded on a predictable and equitable financial base, is paramount to Albania's continued progress towards EU membership. With USAID assistance, Albania has reached major milestones in realizing this goal. The Government of Albania has taken the important steps of working with USAID to draft and adopt its National Crosscutting Decentralization and Local Governance Strategy (2015), its laws on the Organization and Functioning of Local Governments (2016), and Local Government Finance (2017). In partnership with the Ministry of Finance, USAID also developed a new formula for the distribution of unconditional grants — the main source of revenue for local governments — which allocates financial resources in a more fair and equitable manner to local governments. Since 2016, USAID partner municipalities have made considerable improvements to their financial administration, including an increase in tax collection by 20-30 percent. Strengthening the ability of municipal governments to plan, manage, and fund solutions to local

development challenges effectively and transparently underpins USAID's approach to sustained development in Albania.

**Expanding the Private Sector** In Albania's economy, the tourism sector offers significant potential to catalyze economic expansion and job growth. In 2016, with co-funding from the Embassy of Sweden, USAID launched a two-year project that leverages private sector expertise to promote employability of Albanians in the tourism sector through the provision of employer-valued technical and practical trainings. The project created partnerships between prospective employees, Vocational Training Centers — whose operations are funded by the Albanian government, and businesses, to establish pathways for prospective employees, particularly youth and women, to gain skills and enter the workforce. In just two years, this initiative provided training to 2,200 young people, many of who have already successfully found employment in hospitality. Due to the program's success, the Mediterranean University of Albania will continue the People First program for youth considering careers in the hospitality industry.



## ARMENIA

**Civic Engagement Transforms a Nation** USAID/Armenia's sustained support for civil society and media over the past two decades helped to keep space open for civic engagement and freedom of expression, evidenced by the citizen protests which led to the peaceful transition of power earlier this year. Continued support has built the capacity of Armenia's civil society organizations, which are currently ranked among the strongest in the region, to perform their roles as watchdogs. These institutions encourage citizens — particularly women and youth — to constructively engage with decision-makers and to advocate for political, social and economic reforms, and inclusion.

**Technological Future for Armenia's Economy** Information Technology (IT) represents the fastest growing sector of the economy and USAID is proud of the role it has played in developing and expanding Armenia's IT ecosystem. After years of targeted assistance, the sector is ripe for new U.S. business linkages and broader trade and investment with North America and Europe. By leveraging partnerships with IBM, the Enterprise Incubator Foundation and Yerevan State University, USAID helped to establish the Innovative Solutions and Technologies Center, which is playing an important role in fostering a strong and vibrant IT sector in Armenia. To date, the center has trained 4,096 students and implemented 28 research and development projects.





## AZERBAIJAN

Despite ongoing human rights, civil society, and other governance challenges, USAID/Azerbaijan has been able to improve relationships with government counterparts and find common ground on critical prerequisites to self-reliance such as anti-corruption and improving the business enabling environment. USAID assisted the government in drafting legislation and implementing processes to support their new anti-corruption and economic diversification initiatives. To ensure journalists in Azerbaijan are able to perform their roles as watchdogs and trusted information sources, USAID has helped reporters enhance their skills so that they can provide accurate, objective reporting on the reform process. The government of Azerbaijan supported this effort -- a buy-in which had been impossible to obtain for many years.



## BELARUS

**Belarusian Government Approves Strategy for the Development of SMEs Through 2030** The strategy aims to increase small and medium-sized enterprises' contributions to the socio-economic development of the country, create a competitive environment and ensure equal business conditions for entities of various forms of ownership, and improve state regulation of entrepreneurship. The strategy references "reforming state-owned enterprises, including the transfer of state property to a more efficient owner," "separation of state functions as a regulator and owner," and increased transparency through the publication of court decisions affecting SMEs. Through this strategy, the government plans to increase the economic share of SMEs from the existing 25 percent to 50 percent by 2030. USAID has significantly contributed to the development of the SME sector in general, and an improved business environment, in particular, through two activities that ended in 2017. Although significant reforms remain needed in Belarus, the government's support for private sector development signals an important step toward long-term development prospects.

**USAID has supported the establishment of 13 Startup Schools in Belarus** USAID has supported thirteen Startup Schools in partnership with the Society for Innovative Business Support (SIBS) and local organizations across Belarus to date. Schools represent a cycle of educational activities delivered by instructors from the business and entrepreneurship community. The goal of the Startup Schools is to help participants validate their business ideas and develop business projects.



## BOSNIA AND HERZEGOVINA

**Countering Corruption** Until recently, business and individuals relied on outdated manual systems for filing taxes and storing records – printing mounds of paper, transporting them to government offices, and waiting in long, slow lines to submit them. That system seems as archaic as the caveman using a boulder to shut the front door. Those days are finally coming to an end in the BiH entity of Republika Srpska (RS), where USAID has established online filing system for taxes and a digital system for archives. “We now have electronic tax returns and archiving, which will lead to significant savings,” says the RS Tax Administration Director Zora Vidović. USAID’s supported the RS Tax Administration to establish an online e-filing system for all payroll taxes (social security contributions and personal income tax). All payroll taxes and contributions in the RS are reported online only; this applies to all employers and it is a legal obligation for all taxpayers.

**Improving Access to Markets** The European Commission recently agreed to put Bosnia and Herzegovina (BiH) on the list of countries that can export poultry meat and meat products to the European Union. The opening of the EU market to BiH poultry producers is great news for the industry: The State Coordination Board of Poultry Farmers estimates that national production could increase by 50 percent and that the number of people employed in the industry – currently 10,000 directly employed and 70,000 indirectly connected – could double thanks to future exports. Through the Fostering Agricultural Markets Activity (FARMA) USAID and Sweden assisted BiH poultry producers prepare for this market opening. USAID also worked closely with the BiH Foreign Trade Chamber to develop a catalogue of meat and milk exporters, featuring eight companies from the meat sector (including the key poultry exporters). Meanwhile, poultry producers have asked for USAID assistance in obtaining approval to also export eggs to the EU.



## GEORGIA

Georgia is a key actor in the global hazelnut supply chain, and the nut is a crucial agricultural export for the Georgian economy. Almost two years ago the hazelnut industry was crippled by the invasive brown marmorated stink bug. Thanks to USAID support to combat the brown marmorated stink bug, the Georgian Ministry of Agriculture is now capable of employing its own resources to manage the country’s response. Using knowledge gained through USAID programming, the Prime Minister authorized the allocation of GEL 45 million (roughly \$17 million) to support the government’s 2019 action plan -- just one example of how Georgia is increasing able and willing to plan, finance, and manage its own development programs.

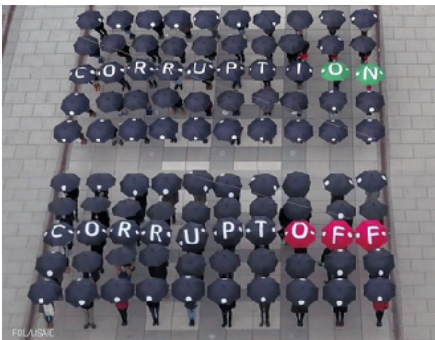




## KOSOVO

As of January 2019, the Kosovo Credit Guarantee Fund (KCGF), has unlocked a total of \$102 million of lending, through over 2,300 loans to small and medium sized enterprises in Kosovo. KCGF, launched by USAID and other donors in April 2016 and now fully self-sufficient, stimulates lending by providing a partial loan guarantee that can serve as a collateral substitute, allowing banks to reduce their collateral requirements, and providing assurance as banks expand lending in sectors previously perceived as too risky. KCGF's early success highlights how USAID development assistance can catalyze sustainable economic development with an approach that garners host government buy-in, leverages donor resources, and unleashes the power of the private sector.

Kosovo has also made important progress in tackling corruption. Beginning early December 2018, the Procurement Review Body (PRB), the administrative body that reviews procurement cases that come under appeal or bid protest, began live-streaming its sessions. PRB's live-streaming service builds on the immense progress in transparency in Kosovo's public procurement, which has seen results in requiring e-procurement for all bid tenders and the publication of all central and municipal level government contracts this year. This service enables the public to listen live to the PRB's adjudication of procurement cases. Through its Transparent, Effective and Accountable Municipalities activity, USAID is assisting institutions at local- and central-levels to implement anti-corruption reforms and improve the transparency and accountability of the municipal procurement process in all 38 Kosovo municipalities.



## MACEDONIA

**Diplomatic Progress** The Prespa Agreement may be the most significant diplomatic step in the Balkans since the end of the Bosnian war. For nearly 30 years, Greece has blocked Macedonia's NATO and EU aspirations over the name dispute. With significant US encouragement, the agreement has been ratified by both parliaments and Northern Macedonia will soon become the 30th member of NATO and will begin EU accession talks, which represents a significant move forward in their Journey to Self-Reliance.

**Promoting Energy Independence** Macedonia's domestic electricity generation covers only 70 percent of its needs, forcing the country to import the remaining 30 percent, including 100 percent of its gas from Russia. With assistance from USAID's Development of Regional Energy Markets (DREM) Project, the Government of Macedonia passed a new energy law in early 2018, adopting directives under the EU Energy Community's Third Energy Package. Macedonia's government is committed to building a country-wide natural gas distribution network, as well as a new interconnection to alternative sources of gas supply. USAID support advances energy sector reforms that are in compliance with the EU and Energy Community requirements and facilitates investment in upgrades of existing and development of new generation capacities, primarily in increased utilization of renewable sources. The U.S. Government is making the energy sector more resilient to external shocks and reducing its dependence on imports and single suppliers.



## MOLDOVA

**Breaking into New Markets** The third shipment of Moldovan apples has successfully arrived in the Saudi Arabian port of Jeddah. The shipment is a result of the USAID assistance provided to help Moldovan Fruit Association (MFA) members' participation in the World of Perishables 2018 Trade Show, which took place in Dubai in October 2018. USAID helped the MFA to prepare trial shipments. This delivery builds upon previous trial shipments to Israel, Qatar and the UAE, all conducted with HVAA's assistance. The initial shipments are important for establishing relationships and building trust between the importer and exporter, as well as for gaining necessary experience to ensure quality during transportation.

To incentivize the growth of the school network which runs an educational robotics program, in the summer of 2018, USAID and the Ministry of Education, Culture and Research launched a promotional campaign "Buy 3 Get 1 Free," to encourage elementary schools to purchase robotics kits with their own funds. USAID and Sweden provided robotics training for interested teachers and offered one additional free robotics set for every three bought by participating schools. From October-December 2018, 89 elementary school teachers attended an introductory course which had a transformational effect. Currently over 40 schools have invested their own resources in procuring robotic sets, matched in kind by USAID and Sweden. In the 2018-2019 academic year, the initiative is expected to reach 15,000 youth, or 5 percent of Moldovan school students, helping them gain the technical and soft skills needed to access twenty-first century jobs.



## SERBIA

USAID's Framework for Giving activity has worked with the Serbian Prime Minister to establish a council on philanthropy. The council has already established October 9th as the National Day of Giving and worked together to demonstrate the benefits of giving. The council is focused on reforming the enabling environment for giving in Serbia, which penalizes philanthropic donations by taxing both the donor and the recipient. For example, the council is working on advocating for an increase in the non-taxable amount for

education scholarships. Currently even scholarships given out by the Ministry of Education are taxed, as such in 2018 the amount of taxes by the Ministry of Education, Science and Technological Development was \$147,000, which is equivalent to the amount of about 182 annual scholarships. Proposed changes to legislation on taxation related to scholarships would allow more students to receive scholarships and would provide incentives to private sector to continue and increase their giving in this area. Without these changes private sector companies are likely to decrease their giving in this area by 60%, as stated in a survey conducted by Divac Foundation. Increasing and enabling philanthropy would enable Serbia to channel more of its own resources to address its development challenges. Thus, it contributes to deepening Serbia's self-reliance.

**Former Beneficiaries--Current Partners** Former USAID beneficiaries are now self-sustaining and have transitioned into USAID partners. Two examples:

- The National Association for Local Economic Development (NALED)--Founded with support from a USAID activity in 2007, NALED has grown into Serbia's largest business association. Self-sustained through member fees and services, NALED is now a USAID partner--directly implementing an activity to strengthen public-private dialogue (PPD) to improve the business enabling environment. NALED's story is a testament to increasing the Serbian capacity to address its own development challenges.
- Desing Food is a successful Serbian food processing company. In its early years, Desing received technical assistance from USAID that improved its operations, helped it meet international standards, and contributed to its success. Desing's food lab recently partnered with USAID's Competitive Economy Project to help aspiring entrepreneurs enter the food sector. Desing ran a food innovation hub through which it passed along its experience and expertise to entrepreneurs entering the sector. As with NALED, it is an example of leveraging expertise USAID once helped develop and supporting systems that transfer that capacity more widely affect development.



## UKRAINE

**Decentralization Support Provided to 75 Newly Consolidated Communities** USAID expanded support for decentralization to 75 consolidated communities to increase their self-reliance by improving local governance, strengthening services, increasing community involvement, helping to draft 64 local governance laws and 60 strategies, and facilitating the consolidation of 292 communities. With U.S. Government support, fiscal decentralization increased local budgets by \$8.74 billion (a 7 percent increase). The U.S. Government's second annual Participatory Municipal Capacity Index, which measured local government efficiency and performance, showed that the 50 consolidated communities surveyed had improved their capacity to responsively manage resources and services.



**New District Heating Utility Propped Up** Working alongside the Kyiv City State Administration, USAID helped facilitate the establishment of a new district heating utility services provider, KyivTeploEnergo (KTE), and supported the transfer of assets and personnel from KyivEnergo to KTE. USAID assistance has helped ensure the utility has in place necessary financial and management accountability systems to operate a successful utility company and to minimize opportunities for corruption. KTE operates approximately \$197 million in assets, including the largest district heating system in Ukraine. Approximately 1 million Kyiv households depend on KTE for heating services. Because of KTE's important role in the stability of the national electric grid, operational failures could have severe consequences. This support is part of USAID's efforts to increase transparency, reduce corruption, and decrease Ukraine's reliance on energy imports.

